

# **IRS TAX TIPS FOR 2007**

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## WHAT'S NEW FOR 2006?

The following changes are discussed in more detail in Publication 17, *Your Federal Income Tax For Individuals* and on the IRS website, [www.irs.gov](http://www.irs.gov).

**Automatic Six-Month Filing Extension Available:** Taxpayers who are unable to meet the regular tax-filing deadline can request an automatic six-month extension, without a reason or even a signature. In the past, automatic extensions for individual taxpayers were only available for four months. A tax-filing extension does not extend the tax-payment deadline. See Form 4868 at <http://www.irs.gov/pub/irs-pdf/f4868.pdf> and its instructions for more information.

**Exemptions:** The amount you can deduct for each exemption has increased from \$3,200 in 2005 to \$3,300 in 2006. You lose all or part of the benefit of your exemptions if your adjusted gross income is above a certain amount. The amount at which the phase-out begins depends on your filing status.

**Standard Deduction Amount Increased:** The standard deduction for taxpayers who do not itemize deductions on Schedule A of Form 1040 is, in most cases, higher for 2006 than it was for 2005. The amount depends on your filing status, whether you are 65 or older or blind, and whether an exemption can be claimed for you by another taxpayer. The basic standard deduction amounts for 2006 are: Head of household — \$7,550; Married taxpayers filing jointly and qualifying widow(er)s — \$10,300; Married taxpayers filing separately — \$5,150; Single — \$5,150

### Restrictions on Charitable Contributions

**Cash contributions:** All cash contributions made in tax years beginning after August 17, 2006, to any qualified charity must be supported by a dated bank record or a dated receipt. The tax year for most individual taxpayers begins on January 1. **Clothing and household items:** Beginning with contributions made after August 17, 2006, no deduction is allowed for most contributions of clothing and household items unless the donated property is in good used condition or better.

### Foreign Earned Income Tax Worksheet

If you claim the foreign earned income exclusion or the foreign housing exclusion on Form 2555 or Form 2555-EZ, you must figure your tax using the Foreign Earned Income Tax Worksheet found in the Instructions for Form 1040.

## ELECTRONIC FILING

The IRS *e-file* program offers, accurate, safe, and fast alternatives to filing on paper. These alternatives include filing through a tax professional, a personal computer, or over the telephone (TeleFile). Electronic payment options are also available.

What are the benefits?

- *Free Internet Filing!* Access commercial e-file services available at no cost to eligible taxpayers.
- *Fast Refunds!* You get your refund in half the time, even faster and safer with Direct Deposit. Direct Deposit is a fast, simple, safe, secure way to have your Federal income tax refund deposited automatically into your checking or savings account.
- *Security!* Your privacy and security are assured.
- *Electronic Signatures!* Create your own personal identification number (PIN) and file a completely paperless return through your tax preparation software or tax professional. There is nothing to mail!
- *Accuracy!* Your chance of getting an error notice from the IRS is significantly reduced.
- *Proof of Acceptance!* You receive an electronic acknowledgement within 48 hours, which confirms the IRS has accepted your return for processing.
- *Electronic payment options* are convenient, safe and secure methods for paying income taxes. If you have a balance due, you can e-file and pay in a single step by authorizing an electronic funds withdrawal from your bank account. Another option is to pay by credit card. The Electronic Federal Tax Payment System (EFTPS) offers a third option for paying federal taxes. Through EFTPS, you can schedule recurring payments for withdrawal from your bank account.
- *Federal/State e-file!* Prepare and file your Federal and state returns together and double the benefits you get from IRS *e-file*. For more e-file information, visit our web site at <http://www.irs.gov>.

## TAX ASSISTANCE

The Internal Revenue Service (IRS) provides tax assistance through their regional office located at the US Embassy in Paris, France. Tax assistance can also be obtained by contacting the large International Customer Service Site in Philadelphia at: 215-516-2000. Visit the IRS on the web at: [www.irs.gov](http://www.irs.gov). The IRS office at the US Embassy in Paris has a homepage custom-tailored to meet the needs of Americans residing outside of the USA. Go to: <http://france.usembassy.gov>

### PARIS

Phone: **33-1-4312-2555** 9:00-12:00 & 1:30-3:30 Mon.-Fri.  
Fax: **33-1-4312-4752**  
E-mail: [irs.paris@irs.gov](mailto:irs.paris@irs.gov)

Walk-In Visitors: **US Consulate** 9:00-12:00 Mon.-Fri.  
**2, rue St. Florentin**  
**Paris (Metro: Concorde)**  
**After April 1, 2007:**  
**2 Avenue Gabriel, Paris**  
**Metro: Concord**

Correspondence: **US Embassy**  
**IRS Room E-414**  
**2, Avenue Gabriel**  
**75382 Paris Cedex 08**  
**France**

### PHILADELPHIA

Phone: **215-516-2000** (not toll free) 6:00AM-2:00AM ET  
Fax: **215-516-2555**  
Email: <http://www.irs.gov/help/page/0,,id=133197,00.html>

**Taxpayer Advocate Service:** <http://www.irs.gov/advocate>

(If you have an ongoing issue with the IRS that has not been resolved through normal processes, or you have suffered, or are about to suffer a significant hardship as a result of the application of the tax laws)

Taxpayer Advocate, San Patricio Office Building, Rm 200, 7 Tabonuco St.,  
Guaynabo, Puerto Rico 00966 Tel: 787-622-8940, Fax: 787-622-8933

**For more information visit us online at: [www.irs.gov](http://www.irs.gov)**

## FILING REQUIREMENTS

If you are a U.S. citizen or resident alien, the rules for filing income, estate, and gift tax returns and for paying estimated tax are generally the same whether you are in the United States or abroad. Your income, filing status and age determine whether you are required to file a return. Generally, you must file a return if your gross worldwide income for 2006 is at least the amount shown for your filing status shown in the following table:

FILING STATUS	AMOUNT
Single	\$8,450
65 or older	\$ 9,700
Head of Household	\$ 10,850
65 or older	\$12,100
Qualifying Widow(er)	\$13,600
65 or older	\$14,600
Married filing jointly	\$16,900
1 spouse 65 or older	\$17,900
Both spouses 65 or older	\$18,900
Married filing separately (any age)	\$ 3,300

For more information visit us online at: [www.irs.gov](http://www.irs.gov)

## YOUR TAXPAYER IDENTIFICATION NUMBER

If you are not eligible to get a Social Security number but need to file a tax return, you will have to apply for an Individual Taxpayer Identification Number (ITIN). Apply by filling out Form W-7. Get Form W-7 at [0107 Form W-7 \(PDF\)](#) [Application for IRS Individual Taxpayer Identification Number](#) or at [www.irs.gov](http://www.irs.gov).

An ITIN number is issued by the IRS and begins with the number "9." It may look like a Social Security number, but an ITIN is used only for federal income tax purposes and has no effect on your work or immigration status in the U.S.

Each person who files a federal tax return or is listed as a spouse or dependent must have a valid SSN or ITIN. This will ensure prompt processing and issuances of any refund. Exemptions claimed for spouse or dependents will be denied if valid Tax Identification numbers are not provided.

For more information about ITINs, check out [Publication 1915](#), *Understanding Your IRS Individual Taxpayer Identification Number*, or download Form W-7. The publication and form are also available by calling 1-800-TAX-FORM (1-800-829-3676) or 215-516-2000 in the United States.

Also visit us online at: [www.irs.gov](http://www.irs.gov)

## IRAS & RETIREMENT PLANS

**Traditional IRA contribution and deduction limit.** If you will be age 50 or older in 2006, the most that can be contributed to your traditional IRA for 2006 will be the smaller of:

- \$5,000, or
- Your taxable compensation for the year.

**Roth IRA contribution limit:** If you will be age 50 or older in 2006 and contributions on your behalf are made only to Roth IRAs, your contribution limit for 2006 will generally be the smaller of:

- \$5,000, or
- Your taxable compensation for the year.

However, if your modified AGI is above a certain amount, your contribution limit may be reduced.

**Modified AGI limit for traditional IRA contributions increased for a married couple filing a joint return.** For 2006, if you are covered by a retirement plan at work, your deduction for contributions to a traditional IRA will be reduced (phased out) if your modified adjusted gross income (AGI) is:

- More than \$75,000 but less than \$85,000 for a married couple filing a joint return or a qualifying widow(er),
- More than \$50,000 but less than \$60,000 for a single individual or head of household, or
- Less than \$10,000 for a married individual filing a separate return.

**For more complete information see IRS Publication 590, *Individual Retirement Arrangements*. Visit us online at: [www.irs.gov](http://www.irs.gov)**

## IRS Tax Tip 2007-7

# EDUCATION INCENTIVES

### Income Limits Increased for Hope and Lifetime Learning Credits

For 2006, the amount of your Hope or lifetime learning credit is phased out (gradually reduced) if your modified adjusted gross income (MAGI) is between \$45,000 and \$55,000 (\$90,000 and \$110,000 if you file a joint return). You cannot claim an education credit if your MAGI is \$55,000 or more (\$110,000 or more if you file a joint return). This is an increase from the 2005 limits of \$43,000 and \$53,000 (\$87,000 and \$107,000 if filing a joint return). For more information, see chapters 2 and 3 in Publication 970, Tax Benefits for Education.

For additional information on education credits, refer to [Publication 970](#), *Tax Benefits for Education*

Visit IRS online at: [www.irs.gov](http://www.irs.gov)

## IRS TAX TIP 2007-8

# CAPITAL GAINS AND LOSSES

Capital gains and losses are classified as long-term or short-term. If you hold the asset for more than one year before you dispose of it, your capital gain or loss is long-term. If you hold it one year or less, your capital gain or loss is short-term.

Capital gains and deductible capital losses are reported on [Form 1040, Schedule D](#) (PDF). If you have a net capital gain, that gain may be taxed at a lower tax rate. The term "net capital gain" means the amount by which your net long-term



capital gain for the year is more than your net short-term capital loss. The highest tax rate on a net capital gain is generally 15% (or 5%, if it would otherwise be taxed at 15% or less). There are 3 exceptions:

1. The taxable part of a gain from qualified small business stock is taxed at a maximum 28% rate.
2. Net capital gain from selling collectibles (such as coins or art) is taxed at a maximum 28% rate.
3. The part of any net capital gain from selling Section 1250 real property that is required to be recaptured in excess of straight-line depreciation is taxed at a maximum 25% rate.

If you have a taxable capital gain, you may be required to make estimated tax payments. Refer [Publication 505](#), *Tax Withholding and Estimated Tax*, for additional information.

If your capital losses exceed your capital gains, the amount of the excess loss that can be claimed is limited to \$3,000, or \$1,500 if you are married filing separately. If your net capital loss is more than this limit, you can carry the loss forward to later years. Use the Capital Loss Carryover Worksheet in [Publication 550](#), to figure the amount carried forward.

Additional information on capital gains and losses is available in Publication 550, *Investment Income and Expenses*, and [Publication 544](#), *Sales and Other Dispositions of Assets*. If you sell your main home, refer to [Publication 523](#), *Selling Your Home*.

**Note: Foreign income.** If you are a U.S. citizen who sells property located outside the United States, you must report all gains and losses from the sale of that property on your tax return unless it is exempt by U.S. law. This is true whether you reside inside or outside the United States and whether or not you receive a Form 1099 from the payer.

Visit us online at: [www.irs.gov](http://www.irs.gov)

## **CHILD TAX CREDIT & ADDITIONAL CHILD TAX CREDIT**

For 2006, the child tax credit stands at \$1000 for each qualifying child. For 2006, the minimum earned income amount used to figure the additional child tax credit has increased to \$11,300. If you were a member of the U.S. Armed Forces who served in a combat zone, your nontaxable combat pay counts as earned income when figuring this credit limit. See Form 8812 for details.

**Qualifying Child:** A qualifying child for purposes of the child tax credit must be all of the following. 1) Under age 17 at the end of the calendar year in which your tax year begins. 2) A citizen or resident of the United States. 3) Claimed as your dependent. 4) Your: a) Son, daughter, stepson, or stepdaughter, b) Brother, sister, stepbrother, or stepsister (or his or her child or grandchild) if you care for the individual as you would your own child, c) Adopted child, d) Grandchild, or e) Eligible foster child.

**Note:** You must reduce your child tax credit if your modified adjusted gross income (AGI) is above \$110,000 for joint filers, \$55,000 for married taxpayers filing separately, and \$75,000 for single or head of household taxpayers.

See IRS Publication 972, **Child Tax Credit** at <http://www.irs.gov/pub/irs-pdf/p972.pdf>

Visit us online at: [www.irs.gov](http://www.irs.gov)

## PAYMENTS & POSTMARKS

If you owe money on your 2006 tax return, you can pay by check, money order, or credit card. Make your check or money order payable in US Dollars to the: "United States Treasury" for the full amount due. Do not send cash. Write: "2006 Form 1040" and your name, daytime phone number, and social security number (SSN) on your payment. You may now use your credit card to make all of the following type payments: (a) tax on Forms 1040, 1040A, 1040EZ; (b) estimated tax payments (Form 1040-ES); (c) tax you estimate as due on Form 4868; (d) installment agreement payments (for tax years 1999 and later); and (e) any balance due shown on an individual income tax return notice!

**Payment by Credit Card:** You can also e-file and e-pay your taxes in a single step by authorizing a credit card payment. All major credit cards are accepted: American Express, Discover Card, MasterCard card, or Visa card. This option is available through some tax preparation software and tax professionals. Two other ways to pay by credit card are by telephone or Internet. For more information or to make a payment, you may contact the following service providers.

Official Payments Corporation 1-800-2PAY-TAX 1-877-754-4413 (Customer Service) <a href="http://www.officialpayments.com">www.officialpayments.com</a>	Link2GovCorporation 1-888-PAY-1040 1-888-658-5465 (Cust. Serv.) <a href="http://www.PAY1040.com">www.PAY1040.com</a>
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**Foreign Postmarks:** Federal tax returns, claims for refund and other documents mailed to the Internal Revenue Service are treated as filed on the date of the postmark, including foreign postmarks. However, payments mailed from outside the US are not provided the same treatment. **Payments with foreign postmarks are not considered received until the date of the actual receipt rather than the postmark date.** This includes payments submitted with tax returns. You should take this into consideration when mailing a payment to IRS from outside the US, in order to avoid late payment penalty and interest charges.

For more details, visit the IRS home page at: [www.irs.gov](http://www.irs.gov) or click on the following link: <http://www.irs.gov/efile/article/0,,id=101316,00.html>

## **DIRECT DEPOSIT OF REFUND**

Want a faster refund? More and more taxpayers are choosing direct deposit as the way to get their federal tax refunds. The payment is more secure — there is no check to get lost. And, it's more convenient — no special trip to the bank to deposit a check. To request direct deposit, follow the instructions for "Refund" on your tax return.

Want an even faster refund? Try e-file. Taxpayers who file electronically get their refunds in about half the time as those who file paper returns.

A word of caution — some financial institutions do not allow a joint refund to be deposited into an individual account. Check with your bank or other financial institution to make sure your direct deposit will be accepted. Also, make sure you have the correct nine digit routing number and your correct account number when selecting direct deposit.

For more information about direct deposit of your tax refund, check the instructions for your tax form. This and other helpful tips are available in IRS Publication 17, Your Federal Income Tax. Download a copy or call toll free 1-800-TAX-FORM (1-800-829-3676) to order your free copy.

### **Links:**

- [E-file](#)

For more information visit us online at: [www.irs.gov](http://www.irs.gov)

## **FOREIGN EARNED INCOME EXCLUSION & FOREIGN TAX CREDIT**

If you have a tax home in a foreign country and you meet either the bona fide residence test or the physical presence test, you may be able to claim the foreign earned income exclusion up to **\$82,400 in 2006**, and claim the housing exclusion or deduction. Use Form 2555-EZ if you do not have self-employment income, you do not claim the housing exclusion and the totality of your foreign earned income is reported on Form 1040 line 7. The exclusion is entered as a subtraction on line 21 (other income) using parentheses or angled brackets. US Government employees do not qualify for the foreign earned income exclusion or the housing deduction.

If you paid or accrued foreign income taxes during the year, you generally can choose to claim these taxes as a credit against your U.S. income tax or you can deduct them as an itemized deduction. To claim the foreign tax credit, use Form 1116. However, if your only foreign source income is passive (interest, dividends, etc.) and is reported to you on a payee statement issued by a U.S. financial statement, you may be able to claim a credit of up to \$300 (\$600 if married filing jointly) without using Form 1116.

**See IRS Publication 54, *Tax Guide for U.S. Citizens and Resident Aliens Abroad*, and Publication 514, *Foreign Tax Credit for Individuals*, for further information. Visit us online at: [www.irs.gov](http://www.irs.gov)**

## ESTIMATED TAX FOR INDIVIDUALS

Estimated tax is the method used to pay tax on income that is not subject to withholding (for example, earnings from self-employment, interest, dividends, rents, alimony, etc.). In addition, unless you have elected voluntary withholding, you should make estimated tax payments on the taxable portion of your U.S. social security benefits. In most cases, you must make estimated tax payments if you expect to owe at least \$1,000 in tax for 2007 (after subtracting your withholdings and credits) and you expect your withholdings and credits to be less than the **smaller** of:

1. 90% of the tax to be shown on your 2007 tax return, or
2. The tax shown on your 2006 tax return (110% of that amount if you are not a farmer or fisherman and the adjusted gross income shown on that tax return is more than \$150,000; more than \$75,000 if married filing separately for 2006).

**Exception:** You do not have to pay estimated tax if you were a U.S. citizen or resident alien for all of 2006 and you had no tax liability for the full 12-month 2006 tax year. For further information or to pay any estimated tax for 2007, get IRS Form 1040-ES. **For more information visit us online at: [www.irs.gov](http://www.irs.gov) or click on: <http://www.irs.gov/pub/irs-pdf/f1040es.pdf> .**

## FOREIGN BANK ACCOUNTS

Each United States citizen or resident of the United States who has a financial interest in or signature authority, or other authority over any financial accounts, including bank, securities, or other types of financial accounts in a foreign country, if the aggregate value of these financial accounts exceeds \$10,000 at any time during the calendar year, must report that relationship each calendar year by filing **Form TD F 90-22.1, the Report of Foreign Bank and Financial Accounts**, with the Department of the Treasury. You should also check the appropriate box on Part III of Schedule B of your Form 1040. You do not have to file the report if the assets are with a U.S. military banking facility operated by a U.S. financial institution or if the combined assets in the account(s) are \$10,000 or less during the entire year. Note: this is **not** a taxable return form, and should **not** be attached to your Form 1040. Form TD F 90-22.1 must be filed by June 30 each year for the preceding calendar year. File this form with: U.S. Department of the Treasury, P.O. Box 32621, Detroit, MI 48232-0621.

For more information visit us online at: [www.irs.gov](http://www.irs.gov) or click on:  
<http://www.fincen.gov/f9022-1.pdf> or: <http://www.irs.gov/pub/irs-pdf/f90221.pdf>.

## **WHERE'S MY REFUND?**

You filed your tax return and you're expecting a refund. You have just one question and you want the answer now - Where's My Refund? Access this secure Web site to find out if the IRS received your return and whether your refund was processed and sent to you.

New program enhancements allow you to begin a refund trace online if you have not received your check within 28 days from the original IRS mailing date. Some of you will also be able to correct or change your mailing address within this application if your check was returned to us as undelivered by the U.S. Postal Service. "Where's My Refund?" will prompt you when these features are available for your situation. To get to your refund status, you'll need to provide the following information as shown on your return:

Your Social Security Number (or IRS Individual Taxpayer Identification Number)  
Your Filing Status, (Single, Married Filing Joint Return, Married Filing Separate Return, Head of Household, or Qualifying Widow(er))  
The Refund amount (It is important to enter the refund amount exactly as it is shown on your return in order for our computer system to retrieve your data)

**For more information visit us online at: [www.irs.gov](http://www.irs.gov) or at: <https://sa.www4.irs.gov/irfof/lang/en/irfofgetstatus.jsp>.**



## IRS NOTICES

If you receive an IRS notice that you believe is incorrect, you should respond as soon as possible, by calling the telephone number identified on the notice or by writing to the IRS office that sent you the bill. You may also call the IRS Customer Service Center in Philadelphia at: (215) 516-2000. Alternatively, you may phone the IRS Office in Paris at 33-1-4312-2555 between the hours of 9 AM to 12 Noon and 1:30 to 3:30 PM, Monday through Friday. IRS Publication 594, *The Collection Process*, contains guidance on how to respond to IRS notices.

In your response, explain why you think the notice is incorrect and include with your correspondence a copy of the IRS notice and copies of any records, canceled checks, etc., that you think will help IRS understand the problem. If you need more time to gather information, contact the IRS immediately to ask for additional time. If the IRS finds that you are correct, it will adjust your account accordingly.

For more information visit us online at: [www.irs.gov](http://www.irs.gov) or <http://www.irs.gov/individuals/article/0,,id=96199,00.html>.

## RENTAL INCOME AND EXPENSES

You must include in income all amounts you receive as rent. Rental income and expenses are entered on Schedule E and net rental income or loss is then carried to the income section of Form 1040. If, after beginning to rent your property, you sometimes use the property for personal purposes, you must divide your expenses between rental and personal use. If you change your main home to rental use at any time other than at the beginning of your tax year, you must also divide or prorate yearly expenses such as depreciation, taxes, insurance, and mortgage interest between rental use and personal use. You can deduct the cost of repairs to your rental property. You cannot deduct the cost of capital improvements. These costs are recovered by taking depreciation deductions spread out over a number of years. Rental losses are subject to various limits under the passive activity and at-risk rules. Excess or undeducted loss is carried forward to the following tax year. Sale of a rental property does not qualify for the preferential tax treatment given the sale of a main home.

**For more information about how to report rental income and expenses, refer to IRS Publication 527 at: <http://www.irs.gov/pub/irs-pdf/p527.pdf>. For Information on how to figure and report any gain or loss from the sale of your rental property, see Publication 544 at: <http://www.irs.gov/pub/irs-pdf/p544.pdf>.**

**For further information, visit us online at: [www.irs.gov](http://www.irs.gov) or <http://www.irs.gov/businesses/small/industries/article/0,,id=98895,00.html> or: <http://www.irs.gov/publications/p527/ar01.html>**

## IRS LATE CHARGES

If you do not file your tax return and pay your tax by the due date, you may have to pay a penalty. You may also have to pay a penalty if you substantially understate your tax, file a frivolous return, or fail to supply your social security number or other required tax identification number. If you provide fraudulent information on your tax return, you may have to pay a civil fraud penalty.

The IRS recognizes many people drop out of the system because of personal problems, including serious illness, a death in the family, or loss of financial records in a natural disaster. Depending on the situation, informing the IRS why returns have not been filed could result in a waiver of penalties.

**Filing late:** If you do not file your return by the due date (including extensions), you may have to pay a **late filing** penalty. The penalty is usually 5% of the unpaid tax for each month or part of a month that the return is late, but not more than 25%. If you file your return more than 60 days after the due date or extended due date, the minimum penalty is the smaller of \$100 or 100% of the unpaid tax.

**Paying tax late:** You will have to pay a **late payment** penalty of  $\frac{1}{2}$  of 1% (.50%) of your unpaid taxes for each month, or part of a month, after the due date that the tax is not paid.

If both the failure-to-file penalty and the failure-to-pay penalty apply in any month, the total monthly penalty is 5% of the unpaid tax. Interest is charged on tax you do not pay by the original due date of your return. Interest is charged even if you get an extension of time for filing. Interest is also charged on penalties. Interest accrues from the date the payment was due (determined without regard to any extensions of time) until it is received by the IRS. The interest rate for the calendar quarter beginning January 1, 2007 is 8% for underpayments. For more information on IRS interest rates, see:

<http://www.irs.gov/taxpros/lists/0,,id=98042,00.html>.

For more information visit us online at: [www.irs.gov](http://www.irs.gov) or also at: <http://www.irs.gov/businesses/small/article/0,,id=108330,00.html> .

## ESTATE AND GIFT TAX

If you give someone money or property during your life, you may be subject to federal gift tax. The money and property you own when you die (your estate) may be subject to federal estate tax. This is in addition to the individual income tax return requirement. The first \$11,000 you give someone during a calendar year (annual exclusion) is not taxable. Gross estates of not more than \$1,500,000 (2004 and 2005) or \$2,000,000 (2006, 2007, and 2008) or \$3,500,000 (2009) are not taxable. The following table lists the filing requirement for the estate of a decedent dying after 2003.

Year	For Gift Tax Purposes:		For Estate Tax Purposes:	
	Unified Credit	Applicable Exclusion Amount	Unified Credit	Applicable Exclusion Amount
2004 and 2005	345,800	1,000,000	555,800	1,500,000
2006, 2007, and 2008	345,800	1,000,000	780,800	2,000,000
2009	345,800	1,000,000	1,455,800	3,500,000

Click on the following links (or paste them into your internet browser) to obtain further information:

<http://www.irs.gov/businesses/small/article/0,,id=98968,00.html> (Estate and Gift Taxes)

<http://www.irs.gov/publications/p950/ar01.html#d0e16> (Publication 950 – Introductory Material)

<http://www.irs.gov/pub/irs-pdf/p950.pdf> (IRS Publication 950, Introduction to Estate and Gift Taxes)

For further information get IRS Publication 950, Form 706, United States Estate Tax Return, and Form 709, United States Gift Tax Return, or visit us online at: [www.irs.gov](http://www.irs.gov).

## **INSTALLMENT AGREEMENTS**

Whether you call it an installment agreement, payment agreement, payment option or a payment plan, the idea is the same — you make payments on the tax you owe. That sounds like a good deal, but you can save money by paying the full amount you owe as quickly as possible to minimize the interest and penalties you'll be charged. For those who cannot resolve their tax debt immediately, however, an installment agreement can be a reasonable payment option. Installment agreements allow for the full payment of the tax debt in smaller, more manageable amounts. To be eligible for an installment agreement, you must have filed all required tax returns and paid your estimated tax payments if required.

The IRS charges a user fee to set up your installment agreement. The user fee for new installment agreements entered into after January 1, 2007 is \$105 and \$52 for agreements where payments are deducted directly from your bank account. Taxpayers with income at or below established levels, based on the Department of Health and Human Services poverty guidelines, can apply and be qualified to pay a reduced user fee of \$43 for establishing new agreements including agreements where payments are deducted directly from your bank account. Information about requesting the reduced user fee will be included in installment agreement acceptance letter sent to individuals.

There is also a user fee of \$45 effective January 1, 2007 regardless of income level for reinstating defaulted agreements or restructuring existing agreements. If you already have an approved installment agreement from a previous tax debt and your financial situation has changed, we may be able to modify or restructure your installment agreement to include additional amounts owed into one agreement.

**For more information visit us online at: [www.irs.gov](http://www.irs.gov)**

## EXTENSION REMINDER

**Automatic Six-Month Filing Extension Available:** Taxpayers who are unable to meet the regular tax-filing deadline can request an automatic six-month extension, without a reason or even a signature. In the past, automatic extensions for individual taxpayers were only available for four months. A tax-filing extension does not extend the tax-payment deadline. See Form 4868 and its instructions for more information. Form 2688 has been discontinued.

If you are a US citizen or resident and your tax home is outside the USA on April 17, you are automatically granted a 2-month extension to file your taxes. If you file on a calendar year basis, this means you have until June 15, 2007 to file your 2006 income tax return. However, any tax due and paid after April 17, 2007 will be subject to an interest rate of 8% per annum. None of the IRS dates for filing returns or paying taxes are extended due to foreign holidays.

If your tax home is in a foreign country, and you need more time to qualify for “bona fide residence test” or “physical presence test” (Form 2555), you should file extension Form 2350 by the due date of your return, generally June 15<sup>th</sup> for overseas taxpayers.

**For more information visit us online at: [www.irs.gov](http://www.irs.gov) or <http://www.irs.gov/formspubs/article/0,,id=98155,00.html> .**

## **THE TAXPAYER ADVOCATE SERVICE**

If you have tried to resolve a problem with IRS, but have been unable to get it resolved, you should contact the Taxpayer Advocate. The Taxpayer Advocate represents your interests and concerns within the IRS by protecting your rights and resolving problems that have not been fixed through normal channels. While the Taxpayer Advocate cannot change the tax law or make a technical tax decision, he/she can clear up problems that resulted from previous contacts and ensure that your case is given a complete and impartial review.

To contact the Taxpayer Advocate, you can call (787) 622-8940 for English or (787) 622-8930 for Spanish, or (787) 622-8933 for fax, all in the United States. Note: These are not toll-free numbers!

You can also write to the Taxpayer Advocate at:

Internal Revenue Service  
Attn: Taxpayer Advocate Service  
San Patricio Office Building Rm. 200  
7 Tabonuco St.  
Guaynabo, P.R. 00966  
USA

For further information about the Taxpayer Advocate Service click on the following link to IRS Publication 1546: <http://www.irs.gov/pub/irs-pdf/p1546.pdf> . For a complete overview you can also go to: <http://www.irs.gov/advocate>

**For more information visit us online at: [www.irs.gov](http://www.irs.gov) .**

## **RECORDS RETENTION / COPIES OF RETURNS**

Once your tax return is prepared, you should keep all receipts, canceled checks or other proof of payment and other records to support deductions or credits you claim on your return. The length of time you should keep these records can vary. Keep items that support an item of income or deduction appearing on a return until the statute of limitations for the return runs out. For assessment of tax, this is 3 years from the date you filed the return (unless fraud or substantial underreporting of income is involved). For filing a claim for credit or refund, this generally is 3 years from the date you filed the original return, or 2 years from the date you paid the tax, whichever is later. Returns filed before the due date are treated as filed on the due date. Records relating to the basis in property should be retained until after you dispose of the property and report any gain or loss.

To request copies of income tax returns and W-2 information for the 3 prior years, you should file Form 4506. There is no cost to obtain the tax return transcripts. However, to obtain copies of the actual tax forms and attachments, there is a \$39 charge for each period requested. To access Form 4506 or Publication 552, click on the following links or paste them into your browser:

<http://www.irs.gov/pub/irs-pdf/f4506.pdf>

<http://www.irs.gov/pub/irs-pdf/p552.pdf>

**For more information on recordkeeping, see IRS Publication 552, *Recordkeeping for Individuals*, or visit us online at: [www.irs.gov](http://www.irs.gov)**